

## **World Beef Trade Overview**

### **Total Beef Trade Forecast at Record Level for 2004; U.S. Export Growth Gaining on Previous Year**

**World Trade:** Total beef exports for major exporting countries are forecast at 6.9 million tons for 2004, up 8 percent from the 2003 estimate. Beef exports are forecast at record setting levels for several major exporters in 2004. Brazil will surpass Australia as the top world exporter of beef with exports expected to approach a record 1.4 million tons. Brazil has made outstanding strides in production, which is forecast to grow 4 percent in 2004. With its price-competitive beef entering new markets, Brazil accounts for much of the increased world competition. In 2004, the United States will move to third place behind Australia and Brazil, with U.S. beef exports expected to increase to a record 1.2 million tons. Canadian exports are forecast to rise 45 percent in 2004, as Canada recovers from trade bans imposed in May 2003 after one cow tested positive for BSE. Japan is forecast to further recover from BSE, increasing imports by 7 percent, in spite of the chilled beef safeguard currently in effect through March 2004. Korea is expected to again import record volumes of beef in 2004, while U.S. beef imports will grow to 1.6 million tons. In 2002, the EU became a net importer for the first time.

#### **Key Exporters:**

- **United States:** Beef exports for 2004 are forecast to set another record at 1.2 million tons, up 1 percent from the 2003 estimate. Exports are forecast to expand, reaching a record 10 percent of production. The United States is the primary high quality beef supplier to the world, producing high value grain fed beef, verses the non-fed beef produced in Australia and South America. However, U.S. beef production is forecast to fall 5 percent to 11.6 million tons in 2004 as cattle supplies continue to tighten resulting from herd liquidation since 1996 and drought in many areas. Assuming a return to normal pasture conditions, higher cow and heifer retention for herd rebuilding during 2004 will mean reduced slaughter of female animals. This will in turn reduce domestic consumption, which is forecast to fall for the second year in a row to nearly 12 million tons in 2004.
- **Brazil:** Brazil is forecast to take the lead in 2004 for beef exports after a decade of expanding beef production. This strong growth in the beef sector will lead to record beef exports, forecast at nearly 1.4 million tons in 2004. Exporting only 464,000 tons in 1999, Brazil has doubled the number of countries it exports to in recent years. Acceptance of its regional FMD free status by many countries in 2002 allowed Brazil to moderately expand its presence in several markets. The Brazilian livestock industry has benefited from a number of currency devaluations, low production costs and recent investment to expand production capacity. Brazil's expanded beef output, expected to reach a record 7.8 million tons in 2004, is due to improved genetics, better management, a more stable exchange rate, and higher profitability in cattle production.

- **Australia:** Total beef exports are forecast to increase to 1.3 million tons in 2004. Export growth of beef and cattle is anticipated to remain strong in the United States and Asian markets. Growth in frozen beef exports in 2003 to the United States is anticipated since Canada, which Australia has been losing market share to in recent years, is recovering from an incidence of BSE. Australia's beef production is forecast slightly down from 2003 at 1.9 million tons, but is still at a historically high level.
- **Canada:** Canada suffered a major trade disruption with the discovery of one case of BSE in May 2003. Canada's exports are expected to only reach 425,000 tons in 2003 after it was shut out of most export markets in the second quarter of the year. In September, Canada resumed exporting boneless beef products from cattle less than 30 months of age to the United States, but has not reached pre-BSE trade levels of the first half of the year. Live cattle are still prohibited for export to the United States, but the rule making process for handling the resumption of cattle trade between Canada and the United States is ongoing. At the same time, the Office of International Epizootics (OIE) has initiated an international dialogue on BSE and the safe trade in animals and animal products, which was requested by the United States, Canada and Mexico to address possible future outbreaks of BSE. Exports are expected to reach 615,000 tons in 2004 with trade flowing primarily to the United States and Mexico.
- **New Zealand:** Export growth is anticipated to be stagnant for 2004, with no forecast increase from the 2003 preliminary number, 535,000 tons. Export price margins are being pressured as the New Zealand dollar grows stronger and as global market conditions grow more uncertain. Meanwhile, opportunities are developing in North Asia for New Zealand to capture more market share from Australia. Production will show only small growth in 2004, while New Zealand's cattle herd is expected to decline by one percent.
- **India:** Despite only moderate growth in the cattle and buffalo population, exports are forecast to grow 12 percent to 520,000 tons in 2004. This growth is attributed to exports to emerging markets and growing demand in traditional markets for India's buffalo meat (carabeef). Major export markets for India include Malaysia, Philippines, the Middle East and some African countries. Concerns about BSE have shifted some of the Commonwealth of Independent States (CIS) countries' demand to India from the EU. Production is forecast to increase 6 percent in 2004 due to improved fodder availability for buffalo and higher prices for meat.
- **European Union:** Beef exports for 2004 are forecast at 440,000 tons, down 4 percent from the 2003 estimate. Competitively priced imports from South America have edged into some of the EU's traditional markets while the EU continues to recover from BSE. Furthermore, lower stocks will reduce the need to offer restitutions. Beef production in 2004 in the EU is expected to be unchanged following declines in 2003 production.

### **Key Importers:**

- **United States:** Beef imports for 2004 are forecast slightly higher at a record 1.6 million tons. Imports in 2003 have been greatly impacted by BSE in Canada, which immediately shut down U.S. imports from one of its major suppliers of fresh/chilled beef and live cattle in May 2003. Canada's exports, now limited to boneless beef less than 30 months of age, began to slowly re-enter the market in September 2003 and are expected to gradually return to pre-BSE levels. However, the lack of Canadian beef and cattle imports, in conjunction with already tight U.S. supplies and strong demand, has driven up both beef and cattle prices dramatically. Imports of live cattle from Mexico are forecast to increase in light of these attractive prices.
- **Japan:** In 2003, Japan's demand for beef made a significant recovery from the BSE crisis. Much higher beef imports in the first quarter of the Japanese fiscal year compared with the greatly reduced level of a year earlier triggered the safeguard mechanism for chilled beef, which raised the tariff level to 50 percent. Japanese importers have seen higher prices since the implementation of the safeguard tariff, but demand remains strong for chilled product. The safeguard will remain in effect through Japan's fiscal year 2003, which ends on March 31, 2004. Nevertheless, imports are expected to climb even higher in 2004 to 885,000 tons, a 7-percent increase over the 2003 preliminary import number, yet still remain below pre-BSE levels. Consumption is forecast at a 2-percent increase for 2004 as domestic production continues to contract.
- **Russia:** Beef imports for 2004 are forecast at 705,000 tons, up only 5,000 tons from 2003. Previously, imports consisted largely of low-grade, frozen beef for further processing into sausage. However, recent Ukrainian exports show that boneless beef shipments have increased to about 50 percent of Ukrainian beef exports. The CIS, which supplies 25 percent of Russian imports of frozen beef, is excluded from Russia's tariff-rate quota (TRQ). However, the United States and Russia have been negotiating a new framework for allocating the TRQ. Russian production of beef is forecast to decline again to 1.6 million tons in 2004, a 4 percent decrease from the 2003 projection.
- **European Union:** Beef imports for 2004 are forecast at a record 530,000 tons, up 10,000 tons from 2003. The EU became a net beef importer for the first time in 2002 with a 6,000-ton gap between exports and imports. Argentina, Brazil and Poland are the top exporters to the EU and the greatest beneficiaries of expanding EU demand due to the price-competitive beef they have recently been able to offer. Consumption in almost all EU countries has returned to pre-BSE levels. U.S. exports to the EU continue to be limited to non-hormone treated beef. EU beef production is forecast to decline slightly in 2004. EU Expansion of 10 additional countries is effective May 1, 2004. However, these accession countries are expected to take a few years to transition fully into the EU agriculture system. Consolidated EU-25 reporting will

not begin until the 2005 forecast next October. EU cattle imports are expected to increase in 2003, with most supply coming from Poland.

- **Mexico:** In 2004, beef imports are forecast up at 510,000 tons. Mexico's cattle herd is anticipated to further decline to 19.5 million head on January 1, 2004, 35 percent below a decade earlier. Dry conditions in northern Mexico in 2003 have resulted in liquidation of Mexico's cattle herd, both through domestic slaughter and feeder calf export to the United States. However, with rising disposable incomes in urban areas and only small growth in beef production, Mexico is increasingly looking to imports to meet consumer demand. The United States will continue to be Mexico's top supplier, but Canada will be very price competitive in this market after being shut out of its export markets for three and a half months. The United States and Mexico are the major destinations for Canadian beef products at this time, and with current high prices in the United States, Canadian beef will be very attractive to Mexican importers.
- **Korea:** Beef imports for 2004 are forecast at a record 435,000 tons. The size of Korea's cattle herd declined slightly between 2003 and 2004 at 1.9 million head. However, there has been increased demand from high-income consumers and government programs have continued to support the production of domestic beef, although production is still falling. Korea's sluggish economy is expected to recover in 2004, further supporting imports of chilled beef and consumption of the more expensive, domestically produced beef. The outbreak of BSE in Canada stopped Korean imports of Canadian beef in May 2003. In response to the Korean government's concerns about Canadian beef spilling into U.S. beef exports to Korea, the U.S. and Korean governments have worked together to successfully modify health certificates to address Korea's concerns.

### **U.S. Beef Exports Forecast to Increase Marginally, Setting a New Record in 2004**

